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Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

January 1988

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with Shopping Center Age
The newsmagazine for retail management

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SUCCEEDING DESPITE THE ODDS

"Every retail strategy will eventually fail." These words were spoken by Dr. Carl Steidtmann, vp and chief economist, Management Horizons.

I'm not sure I agree fully with Steidtman, but his remarks couldn't be more timely.

First, I believe retailing itself is fast approaching another crossroads. While I'm not as full of doom and gloom as are many others of my journalistic brethren, I am nonetheless afraid that there are tough times ahead. Will consumers still spend money? Yes. But will they be even more discerning in selecting the places where they open their wallets? Again, the answer is yes.

What this means is that it's time for retailers to rethink every aspect of their businesses, from sourcing, to warehousing and distribution, to how the merchandise is actually presented in the stores.

And many of the weak operators simply may not survive. Let's face it, folks, another retail shakeout is looming.

However, some of those companies that don't make it into the 1990's may not necessarily fail because of bad management. Instead, they may fall victim to changing times. Their reason for being may simply no longer exist.

Sadly, that is what we have seen happen recently in the case of another publication produced by our parent company, Lebhar-Friedman. *Chain Store Age General Merchandise Trends* publishes its last issue this month.

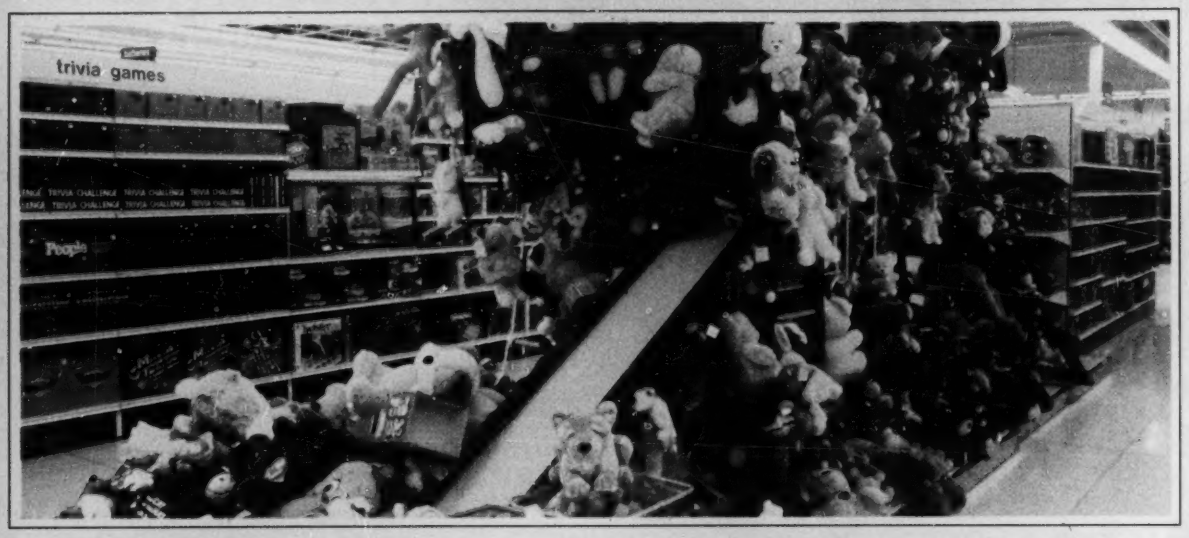
This magazine began as *Chain Store Age, Variety Store Edition*, with the name changed as the industry it covered changed. Unfortunately, even the heroic efforts of its staff weren't enough to save the publication, as the readers it once served switched to other types of retailing. (Even such general merchandise stalwarts as Sears, Roebuck and J. C. Penney have started to venture into specialty retailing.)

However, even as we mourn the demise of our sister publication, *Chain Store Age Executive* has never been stronger. The year 1987 was a record one for the publication in terms of both sales and profits. Our editorial staff won major awards and considerable recognition from our readers.

Going into 1988, we have made important additions to both our editorial and sales staffs which further strengthen the product we are able to offer our readers. We are also particularly proud of the promotion of John Rapuzzi to publisher of the magazine and believe that under his leadership *Chain Store Age Executive* will continue to flourish. For this, we thank each and every one of you.

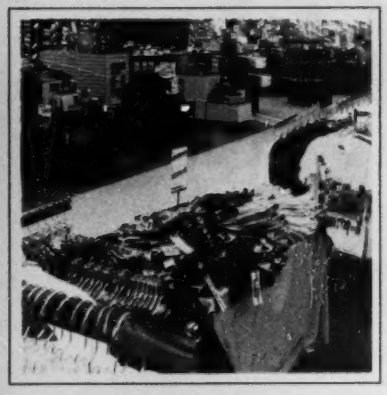
—**Jacquelyn Bivins**

CONTENTS



HYPERMARKETS: SUCCESSFUL AT LAST?

Are American consumers finally ready to accept this store format that has long been popular in Europe? Leading U.S. retailers such as Wal-Mart and K mart think so. The first Hypermart USA was scheduled to open late last month; K mart plans to open its first hypermarket-style store, as yet unnamed, before year-end. *15*



FRED MEYER: POWER PLAYER IN THE NORTHWEST

With units averaging 103,000-sq.-ft., this Portland, Ore.-based chain has departments competing head-on with specialty stores. *21*

From the Editor's Desk *4*
Perspectives *9*
New Equipment & Services . . *181*
Advertising Index *192*

DEPARTMENTS

Finance: The economy may be troubled, but it's not all gloom and doom. *73*

Marketing: Retailers are using customized music programs to project the right store image. *L82*

Retail Technology: Electronic data interchange is the biggest trend to impact the general merchandise industry in many years. *89*

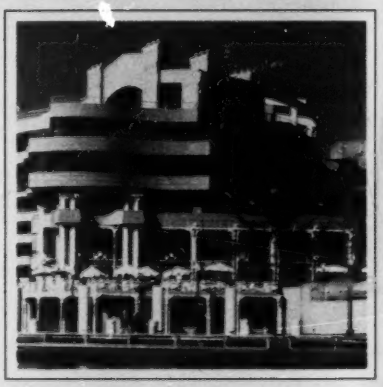
Merchandising: STOR, featuring European home furnishings for California customers, is a new chain started by two former home center industry retail executives. *121*
Optometrist expands the Sunglass Hut. *126*
There can never be too many titles, claims Bookstop's founder. *130*

Strategic Planning: D.H. Holmes fights to stem the changing tide. *135*
L. Luria & Sons appears to be hitting its stride again. . . . . *138*.

Store Design: Woolworth Express fills need for convenience. *146*

Physical Supports: Program is ready for SPECS '88. . . . . *162*

SHOPPING CENTER AGE



WASHINGTON: A CAPITAL PLACE FOR RETAILING

The demographics of the metropolitan area make the nation's capital an attractive market for expansion minded retailers. They are also finding plenty of store location opportunities as a host of developers continue with new projects as well as the expansion of existing ones. *41*

CONSTRUCTION IS BULLISH FOR 1988

CHAIN STORE AGE EXECUTIVE'S SURVEY REPORTS RETAIL SPACE ON THE RISE

Even while the retail industry continues to ponder the question of whether or not America is overstored (the best answer is "maybe"), shopping center developers are adding retail space at a rather rapid rate.

A whopping 100% of those companies involved primarily in regional mall development who participated in a recent research study conducted by *Chain Store Age Executive* expect to increase their total GLA in 1988. This indicates a distinctly more bullish rate of growth than in 1986 when only 70% of this group increased their GLA. (It may also indicate an increased willingness by many department store anchors to commit to new projects.)

The average amount of 1987's GLA increase was smaller too: 1 million sq. ft. for each company surveyed compared with this year's anticipated 1.1 million sq. ft. (Again, this increase is a direct reflection not only of department stores' commitments to build new units, but also to construct them larger than in the past.)

The respondents also report that this year the lion's share of the increase will come through the construction of new centers (expected to account for 65.6%). While several years ago the trend was toward smaller, middle-market regional malls, now at least a few savvy developers seem to have found sites suitable for larger centers. In other words, while these survey participants report that the average size of their new centers opened in 1987 was 450,000 sq. ft., this year it is expected to jump 87% to 844,000 sq. ft. These centers are intended to be regional draws, often having more than two anchors, considerable specialty store space and room for a food court and complementary attractions.

The number of newly constructed malls seems to be increasing too, from an average of two per respondent in 1987 to 2.8 projected for this year. New mall construction may not be what it once was, but it is clearly on the rise.

The remainder of the anticipated increase in regional mall GLA will come from the expansion of existing centers (accounting for 23.7% of the total) and acquisition (10.7%). Expansion appears to have slowed slightly from previous years with some developers perhaps simply running out of suitable projects.

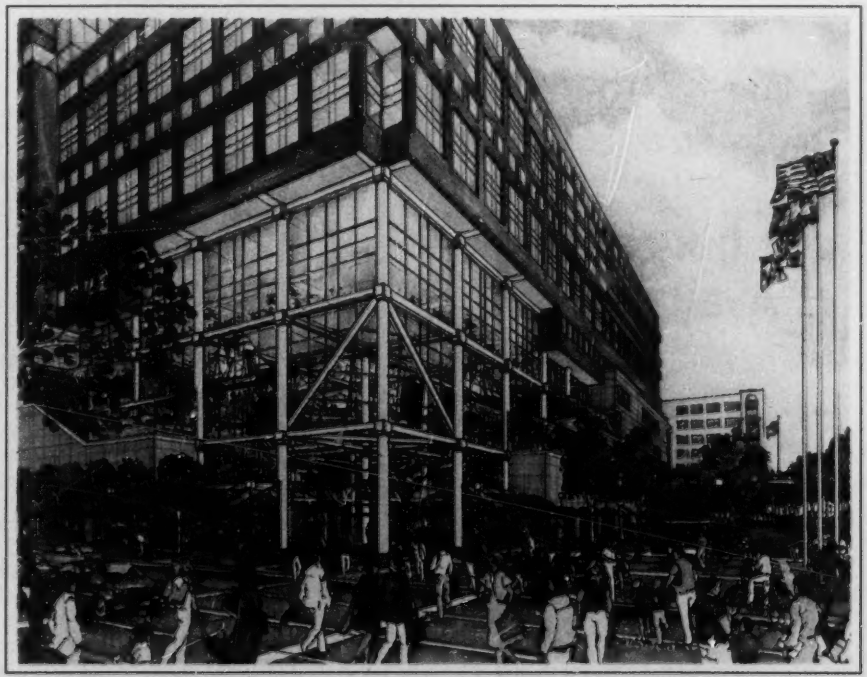
The survey participants specializing in neighborhood/convenience/community centers are also growth-minded. For the past several years this has been by far the most active area of development and the pace shows few signs of abating; 89% of this survey group expect to add to their total GLA this year. The average level of increase is anticipated to be 384,000 sq. ft., up 53.7% from the average of 250,000 sq. ft. added last year (when only 78% of the group made such additions.) Some of this increase in size can be attributed directly to the larger average size of small center anchors, including supermarkets. Where supermarkets used to be considerably less than 30,000 sq. ft., now they average well above this level and may be even as large as 60,000 sq. ft.

Like the situation in regional malls, the bulk of this increase in neighborhood/convenience/community center development (81.4%) is coming from new center construction. Only 7.4% is coming from the expansion of existing centers and 11.2% is expected to come through acquisition.

The new "small" centers to be built are considerably larger than those built last year, expected to average 257,000 sq. ft., or a whopping 123% above last year's average size of 119,000 sq. ft. (Again, the increase may reflect the larger square footage requirements of anchors such as supermarkets, as well as "power retailers" such as Child World, Home Depot and Toys "R" Us.)

This year the annual *Chain Store Age Executive* survey also takes a look at development activity by companies specializing in "other" centers. This group is comprised of developers who report that their primary area of activity is mixed-use/multi-use centers as well as those who report they are primarily involved with specialty centers.

Among this group, 78% expect to increase their total GLA this year, up



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from 89% who report having done so in 1987. The average level of increase by each member of this group is anticipated to be 368,000 sq. ft., or up slightly from last year's 347,000 sq. ft.

As is the case of other types of development, the bulk of the increase, or 69.6%, is expected to come through the construction of new centers, 18.6% through the expansion of existing centers, and 11.8% through acquisition.

While the largest amount of "other" center construction took place in the Southeast last year, this year the Mid-Atlantic is expected to be the major area for such development, according to the survey participants. This was cited as the primary geographic area of new center construction, according to 33% of the respondents. Twenty-five percent expect to do the bulk of such construction in the Southeast, 17% in the Southwest and Pacific states specifically; 8% did not answer this question.

The Southeast appears to still be the region of No. 1 choice among neighborhood/convenience/community center developers, despite reports of small center overbuilding in many areas of Florida in particular. Exactly half of this group say that this will be their primary area for new center building this year. This area is followed in popularity by the Southwest, the primary area for 29%, the Pacific states (14%) and the Midwest (7%).

As for those survey respondents specializing in regional mall development, the primary areas of new construction (much of which is already under way) appear to be the Southwest, Pacific states and the Southeast. Each region is cited as the primary area of new shopping center construction by 25% of the respondents, respectively; 13% report that the Mid-Atlantic is where they are putting most of their energies.

Looking ahead to 1989, so far 80%

Construction costs: Somewhat under control

Not only are developers adding plenty of new space this year, but they are spending plenty of money to do it. Still, most are slightly better off than they were last year.

According to a survey conducted by *Chain Store Age Executive*, the average cost per square foot for new construction this year is $50.50, down slightly from last year's average of $51.50.

However, there's been a dramatic jump in the cost of constructing new malls, according to survey participants specializing in this area of development. They report that the average cost per square foot for new construction is $47.50, up 43% from last year's $33 per square foot.

Conversely, the cost per square foot for the construction of neighborhood/convenience/community centers has declined by approximately 10%, down to $62.10 per square foot compared with 1987's $68.30.

Companies participating in this study who cite "other" types of centers (multi-use/mixed-use and specialty projects) as their major area of development activity, also report lower costs for new construction. They expect to spend $44.30 per square foot this year, down slightly from last year's $45 per square foot.

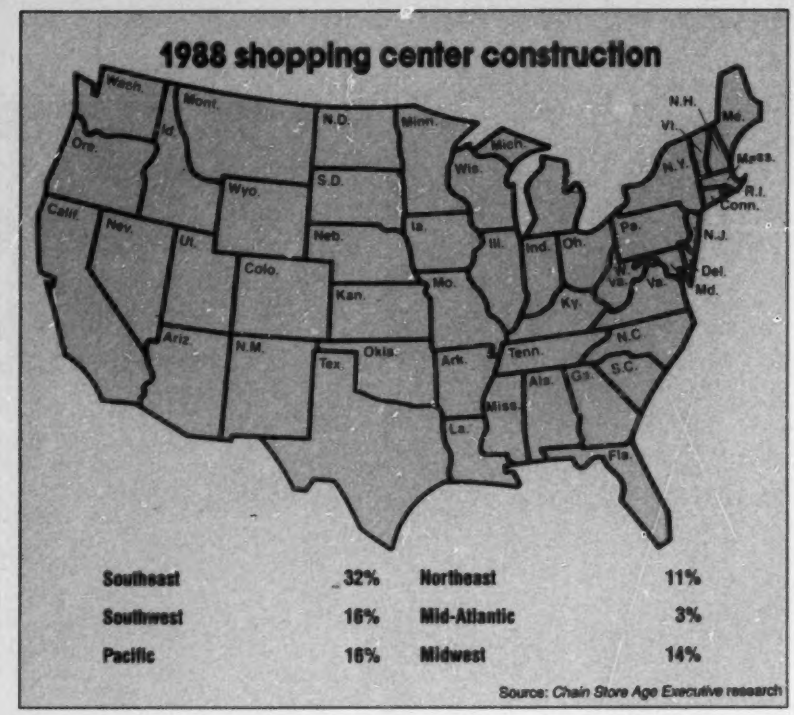
However, when it comes to the expansion of existing centers, the "other" group is spending considerably more than last year, with costs per square foot rising to $37.50, or 25% above 1987's $31.10 per square foot.

Regional mall developers are also spending more—$50.40 per square foot compared with last year's $47.40.

Developers of neighborhood/convenience/community centers are thus the only ones spending less this year for center expansion. Their costs have fallen slightly, to an average of $38.40 per square foot, from 1987's $39.50.

What's clear is that center development doesn't come cheaply, so it's no surprise that 62% of this year's survey participants expect more joint venturing to occur in the industry this year; 26% see the amount of such partnerships remaining about the same; 10% expect to actually see less.

At the same time, the purchasing of centers by institutional buyers will also speed up, according to 64% of this group. Ten percent expect to see less institutional buying, and 22% expect to see about the same level of activity.



of the regional mall specialists participating in the survey expect to increase their total GLA still further, and by an average of 1.15 million sq. ft. per company. A full three-quarters of this increase is projected to come from the construction of new centers with the remaining 25% from expansion of existing projects; no additional acquisitions are expected.

Among the specialists in the category of neighborhood/convenience/community centers, 83% expect to be actively increasing their GLA holdings in 1989. However, the average size of the increase is expected to be 283,000 sq. ft., less than this year's level. Too, while the bulk of the increase is anticipated to be coming from new center construction, this will be playing a smaller role than during the coming year. In 1989, these respondents expect that new construction will account for only 76.6% of their increased GLA (down from this year's projected 81.4%). Expansion of existing centers will account for 15% and acquisition, 8.7%.

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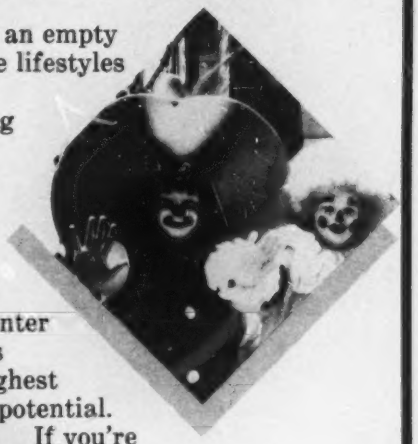

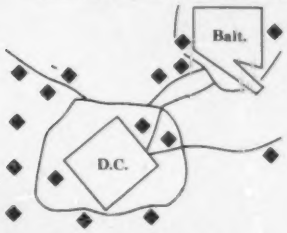

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"other" types of centers, this group is bullish about 1989, with 78% expecting to increase their GLA and by an average of 450,000 sq. ft., up well above this year's anticipated increase. Construction of new centers is forecast to account for 82.3% of the increase, expansion of existing centers 7.7% and acquisitions, 10%.

One thing is for sure. If all of these growth plans proceed on schedule, retailers who are eager to expand their store count won't suffer from any dearth of opportunities. ■

Minimal impact so far

As part of *Chain Store Age Executive*'s annual construction outlook survey, participants were presented with three different economic factors. They were asked if they believe these factors will inhibit shopping center construction in 1988.

Obviously, October's stock market crash was one of the factors presented. According to the survey, it appears to have virtually no effect on construction schedules; 98% of the participants report this will have absolutely no effect this year.

In addition, 96% say that the fear of higher interest rates will not affect the current year's construction plans; 94% state that the overall uneasiness about the economy also will have no impact on their development activities in 1988.

The survey group was also questioned about the impact of last year's major tax law changes on construction: 82% say no changes have been made from their original plans based on this factor.

Developers appear to be quite aware of the threat of overbuilding, particularly when it comes to small center development. However, they are optimistic that the situation will start to correct itself with 66% of the survey participants expecting fewer small centers to be constructed this year; 20% expect approximately the same number to be constructed, and 10% actually expect to see even more built.

The respondents (68%) also expect to see fewer regional malls built. Approximately the same number of regional malls is forecast by 22%, and 8% expect to see even more built.

TODAY'S NEEDS VS. TOMORROW'S POSSIBILITIES

POS SYSTEMS ARE BEING USED FOR MUCH MORE THAN COLLECTING SALES DATA

"The real crux to selecting a POS system is to stop thinking about it as a POS system and to instead ask yourself, 'What do I do in the store? What kind of information do I need to be able to operate effectively? And, what kind of information do I need to supply the home or regional or district office?'" Randy L. Allen, partner in the Newark, N.J., office of Touche Ross, offers the advice to retailers at a time when POS requirements, technology and pricing are changing rapidly.

No longer are POS devices simply for collecting information on sales; today they are used for so much more. "We want to send markdowns [electronically] to the store instead of sending paper; we want them to be able to tell us how many of that item we had when we marked it down; and also to be able to put in transfers either showing what store it's from or where I'm transferring it to." The list Allen cites is seemingly endless.

Retailers no longer need to just keep a running tally of what is sold. There are other considerations, such as the POS system's ability to handle:

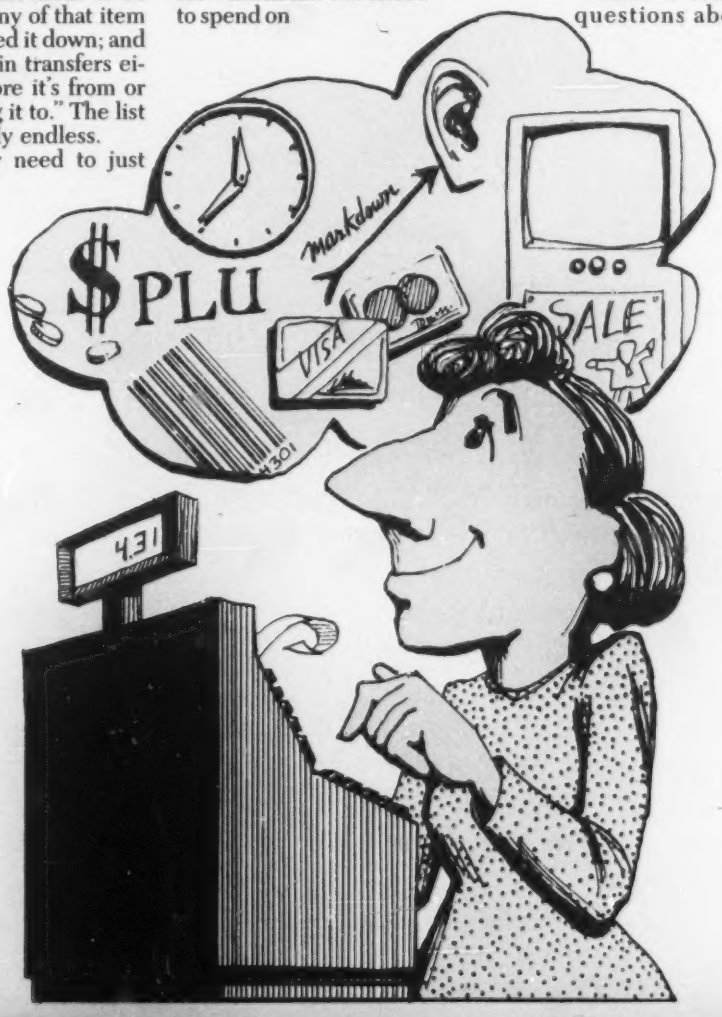
- communications;
- markdowns, transfers and receipts of goods;
- time and attendance, and labor scheduling;
- scanning;
- full price look-up;
- the addition of a credit card reader or PIN pad;
- the integration of electronic shopping media.

Then, of course, there are issues like how much flexibility of programming does one want—both at headquarters and store level? Are reliability and maintenance critical points? How much can one afford to spend on upkeep?

Besides the functions that a retailer wants to perform, there are hardware considerations arising out of the size of the store and the retail format being served. "A specialty apparel store is by-and-large a one or two register store," Allen points out. "It may be expensive to have a couple of registers and a PC. But as the cost of PCs has come down there's been more potential to do that.

"If you take a home center which may have eight to 10 registers," she continues, "it's very easy to justify some small computer plus the POS devices in the store. As you get into a department store, that's more and more true."

After a retailer answers all the questions about what exactly he



wants to do in his stores, then, Allen advises, putting a timetable together to do those things is the next logical step. "With the global needs well understood, I can look at making a POS [buying] decision knowing I'm not going to do all those things right now. What I may really want to do is capture sales information effectively at this point in time, but whatever I select has to have the capability and flexibility to grow to meet those other needs," she explains.

"The key to the whole POS decision becomes looking at what I really want to do in total vs. what I want to do now. I have to make sure that what I want to do now does not preclude my ability to move to that new environment in the future."

Allen also sees POS requirements as being dictated by other related market situations, not just the immediate need for data collection. "As we look at the difficulties in getting and retaining store personnel and store managers, the more things we can do to simplify their jobs, the better off we'll be because we can make them more effective," Allen points out.

"We can focus them in on the important things which are servicing the customers and making sure the merchandise gets rotated and displayed appropriately. We can have them spend less time doing paperwork and having them make decisions we may not have trained them well for."

Then there are the operational issues which are only now beginning to surface, such as electronic data interchange (EDI) and Quick Response that may affect POS requirements. "To deal with EDI and QR means I need to have accurate sales information, return information, etc., down to the sku level," Allen explains. "I want the ability to scan to ensure that information is accurate. And I want to get [the information back] as quickly as possible so I'm really projecting my sell-through."

In order to take full advantage of the benefits of Quick Response, one must know the status of specific merchandise down to the color and size level at all times. "It starts to become much more important for me to know when I got an item into the store," she emphasizes.

"If you take a multi-state specialty apparel chain, depending on how they ship, it can take a week to two weeks from the time an item is received in the distribution center to the time it's on the selling floor," she continues. "If I don't understand the flow-through time, how I respond to the rate of sale may be inappropriate. I may think an item's been in the store for a week when it hasn't, and so I may miss trends, which is very important for the Quick Response issue."

Projecting out even further, if Quick Response takes hold and more manufacturers start UPC marking, there may be a return to drop shipping merchandise to the stores in order to cut a few days off the distribution cycle. In that event, it becomes essential to let stores know a shipment is coming and what it will contain.

"That means I need to be able to tell the store manager, either through the POS system or a computer system at store level, that he's going to receive this shipment on a certain day from this vendor and these are the items he'll be receiving," Allen points out. "And when he gets that shipment he needs to be able to say he got it and that there are some quantity differences from what he thought was coming. And he needs to be able to send that information back to the central site."

Another function that's catching on is the use of the POS system for personnel scheduling based in customer traffic. The catalyst here, of course, is the worsening labor shortage that is forcing retailers to more effectively utilize the personnel they do have.

While credit authorization has been an issue for some time now, electronic funds transfer, a related issue, is just now starting to cause retailers to think about the future. "I need to think about being able to put a credit card reader device on my POS terminal at some point in the future," says Allen.

"If there's one built in, I need to know if I can attach a PIN pad . . . There's the issue of authorization of bank cards and T&E cards and the ability to run that card through a reader, get an automatic dial line or dedicated link, get the authorization back quickly and then be able to do electronic settlement between myself and the card issuer," she points out. "That's a trend that will continue to grow."

Finally, there's the newest ball of wax just now being tested by retailers like Zayre, the Framingham, Mass., discounter: pinpoint marketing. "The ability to capture information about the customer will have an impact [on the POS buying decision]," Allen predicts. "We may see people who don't issue credit cards looking for creative ways to collect information on who's buying and what they're buying. Maybe you'll give out customer identification cards that they use each time they shop because you give them an incentive to use them."

The last issue Allen touches on looks fairly far into the future. It is the issue of self-checkout. "Look at the labor shortage and look at peak selling times of the year—frankly, if I could check myself out and not wait in line, I would do that," she admits.

At the present, the whole notion of self-checkout is only now being looked at by retailers like Cincinnati-based Kroger. But, while it may be in its infancy now, says Allen, "It's an issue that will come along on the five to 10 year horizon in terms of getting beyond the experimentation stage." ■

POS operational benefits

	1986		1981	
	Initially expected benefit	Realized expected benefit	Initially expected benefit	Realized expected benefit
Faster information	69%	79%	75%	87%
More accurate information	69	78	74	87
Additional sales information	67	77	65	79
Improved payroll and commission data capture	46	77	37	65
Reduced date entry (keypunch, optical scanning, etc.)	64	72	60	87
Reduced sales audit costs	59	70	73	75
Increased accounts receivable cash flow	50	65	31	78
Increased sales	54	42	31	62
Reduced bad debt	57	61	33	79
Ability to handle peak season	61	72	48	83
Improved salesperson productivity	63	67	52	76
Improved salesperson morale	62	66	30	82
Improved store image	64	71	38	87

Source: Touche Ross; NRMA

RETAIL MIS FIELD REFLECTS TECHNOLOGY TRENDS

ARTHUR YOUNG SURVEY SHOWS BAR CODING IS HOT, EDI USAGE IS NOT

"If they had said they were just *looking* at it, then I wouldn't have been surprised. But the fact that they said they were currently using it or planning to use it, I find *that* to be really surprising," says Kathleen Cook, Arthur Young's director of retail consulting services headquartered in New York.

The object of Cook's surprise is a positive response from 73% of the respondents in a recent survey indicating that bar-code technology is either currently in use or on the horizon.

The figure, released as part of the sixth annual Arthur Young *Retail MIS: Expenses and Trends* report, is one of many that clearly illustrate that the retail MIS field is changing, not to mention gaining importance and a heftier portion of the overall corporate budget.

The responses to the question concerning bar-code technology reveal that the likelihood a retailer would use bar coding increases with his dollar volume. Fifty-eight percent of those chains doing under $20 million in volume indicated that bar-code technology is in use or will be used in the future. The percentage increases to 65% for chains doing $20 million to $99 million, and to 77% for retailers with a sales volume of $100 million to $500 million. The highest percent of positive responses, 84%, came from chains doing over $500 million in volume.

Examining the responses by retail sector shows that mass merchants have the greatest interest in bar coding with 92% indicating they plan to use the technology; combination/grocery stores came in next at 81%, closely followed by department stores with 80%, and with the least amount of interest shown by the specialty stores with 60%.

Retail MIS: Expenses and Trends measures the responses by 135 retail organizations having a combined 1986 sales total of $64.1 billion. Represented were 28 mass merchants comprised of discounters, general merchandise, drug and variety stores, all with multi-departments, limited customer service and central checkout; 21 department stores with departmental checkout and highly visible selling service; 60 specialty stores with generally less that 7,500 sq. ft. of selling space; and 22 combination/grocery stores where, in most cases, grocery sales account for a majority of the total annual sales revenue. Survey results are reported both by retail sector and by sales volume grouping: under $20 million, $20-$99 million, $100-$500 million and over $500 million.

Interest in electronic data interchange, one of the most highly publicized industry issues today, was measured by the survey and responses showed that while there is much talk, there is little action. Only 10% have some sort of EDI system in place with another 5% currently testing some pilot program. The bulk of the survey group, 46%, indicate that they have no plans to link up electronically with their suppliers. However, 40% say they are planning to use EDI within the next 18 months.

The addition of EDI to the retailer's technological repertoire is only one of many areas being targeted for development or improvement. When allowed to select among 20 different MIS software areas, half of all retailers indicated that POS applications software would get more of their attention in the next two years than anything else. Following POS are inventory control and merchandise planning systems, both of which were earmarked for upgrades by 44% of the respondents.

Looking at planned software improvements by retail segment showed that mass merchants selected POS (72%), sales reporting/analysis (48%), inventory control (44%) and stock replenishments (44%) as the areas targeted for improvement in the next two years.

Department stores have a different set of priorities: 71% of all depart-

MIS systems planned for development/improvement over next 2 years

	Sales (in millions)				Type of store				
MIS areas	Under $20	$20-99	$100-500	Over $500	Mass merch.	Dept.	Specialty	Comb./ grocery	All participants
Point-of-sale	38%	54%	55%	48%	72%	38%	53%	35%	50%
Inventory control	38	42	45	52	44	43	48	40	44
Merchandise planning	23	38	51	52	40	71	40	35	42
Stock replenishment	31	38	40	52	44	67	30	45	40
Purchase order management	31	38	47	32	28	62	35	45	39
Sales reporting/analysis	31	42	32	32	48	24	33	40	35
Open-to-buy	31	38	38	32	32	48	38	15	34
Accounts payable	15	31	32	45	40	19	35	30	33
Receiving	15	23	40	39	32	38	32	35	32
Distribution	15	19	36	42	36	43	28	30	32
General ledger	15	27	23	32	32	33	30	15	28
Human resources	—	27	36	16	32	19	21	20	24
Payroll	31	31	23	16	28	14	25	20	23
Financial planning	23	38	19	16	20	24	23	15	21
Sales audit	15	19	21	26	28	33	16	15	20
Accounts receivable	23	19	11	23	20	24	12	25	18
Fixed assets	23	23	13	19	20	5	19	25	17
Direct mail marketing	23	19	13	—	8	10	16	5	12
Credit management	8	19	9	6	8	24	9	5	10
Foreign importing	—	15	9	6	4	14	11	—	8
Other	—	—	2	3	—	—	2	5	2

Source: Arthur Young

Types of POS devices used

	Sales (in millions)				Type of store				All participants
	Under $20	$20-99	$100-500	Over $500	Mass merch.	Dept. Dept.	Specialty	Comb./ grocery	
Retailers (%) using POS	71%	89%	91%	97%	93%	95%	86%	90%	89%
Electronic cash registers	21	61	59	52	70	48	36	86	53
Programmable (soft) cash registers	29	32	50	64	41	71	46	29	47
Hand-held terminals	—	11	22	21	30	5	8	38	17
Micro/PC with cash drawers	36	11	4	18	11	5	14	14	12
Mechanical cash registers	—	4	4	3	11	5	—	—	4
Other	—	—	2	3	—	—	3	—	2
% Not using POS	29	11	9	3	7	5	14	10	11

Source: Arthur Young

Length of time POS system installed

	Sales (in millions)				Type of store				All participants
	Under $20	$20-99	$100-500	Over $500	Mass merch.	Dept. Dept.	Specialty	Comb./ grocery	
Less than 1 year	30%	12%	24%	3%	13%	10%	19%	—	14%
1 - 2 years	50	12	19	10	21	5	19	16%	16
2 - 4 years	10	12	17	25	24	15	17	21	19
4 - 7 years	10	28	19	23	21	10	27	36	24
7 - 10 years	—	12	7	23	13	20	16	16	13
10 or more years	—	24	14	16	8	40	8	11	14

Source: Arthur Young

ment store respondents cited merchandise planning as an area to be upgraded, followed by stock replenishment (67%), purchase order management (62%) and open-to-buy (48%).

Over half of all specialty stores (53%) agreed POS was the MIS function to improve over the next two years, followed by inventory control (46%), merchandise replenishment (40%) and open-to-buy (39%). Food stores targeted stock replenishment (45%), purchase order management (45%), sales reporting/analysis (40%) and inventory control (40%).

Additionally, the majority of retailers surveyed (71%) report their software programs are developed internally rather than purchased from an outside company. However, in those cases where retailers do turn to an outside software vendor it is usually for financial applications such as general ledger, accounts payable, payroll, fixed assets and POS.

It is no surprise that POS software should be the area cited most often by retailers as an area to be upgraded simply because so many retailers make use of some sort of POS software; fully 89% of those surveyed have a POS data collection device in place. Fifty percent of the smallest retailers surveyed leaned toward installing microcomputers and PCs with cash drawers that could be programmed to perform other functions.

As sales volume increases, the tendency to use electronic cash registers becomes greater. Fifty-nine percent of the mid-sized chains and 52% of the largest chains reported using electronic cash registers. Looking at the breakout by retail type, 70% of the mass merchants and 86% of the food retailers favored electronic cash registers. Department stores and specialty stores favor more sophisticated programmable registers with 71% and 46%, respectively, citing those soft terminals.

When questioned about how their POS systems are used, the most commonly cited functions were sku sales capture (done by 87% of the respondents), price changes (53%), third party credit authorizations (45%) and layaways (42%). Following those are full price look-up (42%), promotional price look-up (41%), credit account payments (35%), in-house credit authorization (34%) and wanding/scanning (30%).

When questioned on the addition of POS functions planned over the next two years, retailers who don't have that second tier of functions previously cited are planning to install them: full price look-up is intended by 52%, promotional price look-up by 45%, and wanding/scanning by 42%.

The POS hardware is another area that was examined in the survey. Over the next two years, 41% of all retailers surveyed indicate they will change or upgrade their POS hardware, with more department stores (50%) indicating there will be POS changes than any other type of retailer. The upgrades/changes are logical considering department stores have the oldest installed base of the equipment; 60% of all department store respondents have had the equipment seven or more years.

With all the anticipated activity in the MIS area, it is not surprising then that the cost of MIS activities as a percentage of sales rose from 0.88% in 1985 to 0.94% in 1986. Average MIS expenditures were highest among specialty store retailers (1.21% of sales) and lowest for combo/grocery chains (0.33%).

Additionally, the survey revealed that 46% of the respondents' MIS budgets went to computer hardware, compared to 50% in 1985. Capital dollars spent on POS devices increased seven percentage points to 25%.

Reflecting the growing importance of MIS activities in chain operations is the way reporting responsibilities are shifting to the non-financial chain of command. While chief financial officers continue to be at the head of the pecking order for the greatest share (44%) of MIS department operations, other administrative officers are moving in. Thirty-four percent of the survey's respondents indicate that they report to the president or ceo; 15% named the vp-administration or coo.

Finally, the Arthur Young survey attempted to measure the human factor involved in the job and it found that MIS execs have a high frustration level. While the frustration factor varied by retail sector, 58% of the total respondents claim that "resistance to change" is a hindrance in implementing MIS programs. On the other hand, 97% of the respondents said that the quality of the interpersonal relationships between their own departments and those of the users could be characterized as "smooth and cooperative." ■